

Message Text

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C O N F I D E N T I A L STATE 170128

FOL GENEVA 09795 SENT ACTION SECSTATE INFO BONN BRUSSELS
LONDON PARIS USUN JUNE 28, 1978 REPEATED TO YOU QUOTE

C O N F I D E N T I A L GENEVA 09795

USEEC USOECD

E.O. 11652: GDS
TAGS: UNCTAD PORG, ETRD
SUBJECT: COMMON FUND - GENEVA INFORMAL MEETING,
JUNE 26-27

REF: (A) KHARTOUM 2302, (B) BRUSSELS 10257
(C) PARIS 20147

1. SUMMARY: LATEST GENEVA INFORMAL MEETING BROKE NO
NEW GROUND IN RELATION TO THE PREVIOUS MEETING (REFTELS)
AND REVEALED NO MOVEMENT BY THE GROUP OF 77 ON THE MAIN
SUBSTANTIVE ISSUES OF CAPITAL STRUCTURE; OTHER MEASURES;
SECOND WINDOW; AND ORGANIZATION AND VOTING. ON THE
QUESTION OF RESUMPTION OF THE NEGOTIATIONS ALL LDC AND A
FEW DC REPRESENTATIVES PRESSED FOR SETTING A DATE IN
SEPTEMBER/OCTOBER WHILE THE MAJOR DEVELOPED COUNTRIES
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WERE MORE CAUTIOUS -- WITH THE U.S. SUGGESTING USEFULNESS
OF FURTHER CONSULTATIONS IN DETERMINING WHETHER A
REASONABLE BASIS FOR RESUMPTION EXISTED. ALTHOUGH THE
ISSUE REMAINED UNRESOLVED, BEST GUESS IS THAT UNCTAD
SECGEN COREA WILL RECOMMEND TO JULY 10-14 UNCTAD INTER-
GOVERNMENTAL GROUP MEETING SPECIFIC DATES IN LATE
FALL AS WELL AS FURTHER INFORMAL INTERIM CONTACTS TO TRY

TO SET THE STAGE FOR RESUMPTION. END SUMMARY.

2. COREA AND THE G-77 REPS STRESSED BOTH THE ECONOMIC RATIONALE AND POLITICAL NECESSITY OF DIRECT CONTRIBUTIONS TO THE CAPITAL STRUCTURE OF THE FUND AND A SECOND WINDOW WITH A FINANCIAL ROLE. THE MAIN GROUP B COUNTRIES, WITH VARYING DEGREES OF NUANCE, AGAIN INDICATED THE DIFFICULTIES THEY SAW IN THESE NOTIONS. THE U.S. WAS THE MOST EXPLICIT IN QUESTIONING THEIR ECONOMIC RATIONALE, EXPLAINING THE DOMESTIC POLITICAL CONSTRAINTS ON ITS OWN POSITION, AND STRESSING THE FINANCIAL VIABILITY OF THE BASIC GROUP B APPROACH.

3. REPRESENTED BY UNDER SECRETARY COOPER THE FIRST DAY AND WENDT THE SECOND, THE U.S., WHILE PAYING TRIBUTE TO COREA'S EFFORTS, POINTED TO DIFFICULTIES IN THE COREA PAPER IN THE FOLLOWING AREAS:

(A) \$500 MILLION DIRECT ASSESSED CONTRIBUTIONS TO THE CAPITAL STRUCTURE - ABSENCE OF A COMPELLING ECONOMIC RATIONALE;

(B) 25/75 PERCENT DEPOSIT CREDIT-RATIO -- TOO LOW;

(C) CALLABLE CAPITAL - PROBLEM OF ULTIMATE LIABILITY OF U.S. FOR ICAS OF WHICH IT IS NOT A MEMBER;
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(D) OTHER MEASURES - AGAIN, LACK OF ECONOMIC RATIONALE FOR A FINANCIAL SECOND WINDOW AND DOMESTIC POLITICAL CONSTRAINTS. ASSERTIONS BY LDC REPS THAT ALL BUT THE U.S. ACCEPTED THE PRINCIPLE OF A SECOND WINDOW IN THE FUND WENT UNCHALLENGED BY OTHER DEVELOPED COUNTRIES, ALTHOUGH THESE QUESTIONED THE SCOPE AND AMOUNTS THE 77 HAVE IN MIND;

(E) VOTING - SLANTING OF THE COREA PAPER TOWARD ATTAINING THE OBJECTIVES OF THE NIEO AND FAILURE TO SUGGEST A SCHEME THAT WOULD SAFEGUARD THE INTERESTS OF MEMBER ICAS;

(F) FINANCING NATIONAL STOCKS OUTSIDE OF ICAS -- NEARLY ALL DCS TOOK ISSUE WITH THIS PROVISION.

4. ON THE QUESTION OF RESUMPTION, THE LDC REPS, SUPPORTED BY AUSTRALIA AND NORWAY, ARGUED THAT (1) INFORMAL CONSULTATIONS HAD ACHIEVED SOME PROGRESS BUT WOULD SERVE NO FURTHER PURPOSE; (2) SETTING A DATE FOR RESUMPTION WOULD "CONCENTRATE THE MINDS"; AND (3) THE DATE SHOULD BE LATE SEPTEMBER OR EARLY OCTOBER.

5. COREA, OBVIOUSLY UNDER CONSIDERABLE PRESSURE FROM THE 77 -- MOST OF WHOM ARE NOT PRESENT AT THE MEETINGS -- SUPPORTED THIS VIEW. STRESSING THE NEED TO SUSTAIN THE MOMENTUM AND AVOID GETTING TOO CLOSE TO UNCTAD V, COREA INDICATED A CLEAR PREFERENCE FOR LATE SEPTEMBER OR EARLY OCTOBER. FRANCE, THE UK, JAPAN, CANADA, NETHERLANDS AND THE U.S. TOOK A MORE CAUTIOUS APPROACH, WITH MOST SUGGESTING A TARGET DATE CLOSER TO THE END OF THE YEAR. THE U.S. AND THE NETHERLANDS QUESTIONED WHETHER DIFFERENCES HAD NARROWED SUFFICIENTLY TO JUSTIFY RESUMPTION, WHILE THE U.S. AND U.K. ARGUED FOR SOME SORT OF FURTHER INFORMAL CONSULTATIONS PRIOR TO A DECISION. THE CLEAR LACK OF ENTHUSIASM FOR THIS ON THE PART OF THE OTHER

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PARTICIPANTS, HOWEVER, MAKES SUCH CONSULTATIONS -- AT LEAST IN THEIR PRESENT FORM -- AN UNLIKELY PROSPECT. ALTHOUGH COREA HAS NOT YET MADE A FINAL DECISION, THE ODDS ARE THAT THE GUARDED REACTION OF THE MAIN GROUP B COUNTRIES WILL PROBABLY LEAD HIM TO RECOMMEND A SHORTER MEETING (TWO WEEKS) SOMETIME IN NOVEMBER. HE MAY ALSO FLOAT THE POSSIBILITY OF AN INFORMAL "FRIENDS OF THE CHAIRMAN" GROUP--OR SOMETHING COMPARABLE--THAT WOULD CONTINUE WORK AFTER DATES FOR RESUMPTION HAVE BEEN SET. THE U.S. WILL HAVE TO ADDRESS THESE ISSUES AT THE AD HOC INTERGOVERNMENTAL GROUP MEETING IN GENEVA, JULY 10-14.

6. ON COREA'S PAPER, DESPITE THE DIFFICULTIES A NUMBER OF DEVELOPED COUNTRIES HAVE EXPRESSED, HE APPARENTLY DOES NOT FEEL UNDER SUFFICIENT PRESSURE FROM THESE COUNTRIES TO TRY TO MAKE FURTHER REVISIONS IN IT - THOUGH THE QUESTION OF WHETHER THIS PARTICULAR PAPER MIGHT PROVIDE THE ACTUAL BASIS FOR A RESUMED CONFERENCE WAS NOT SPECIFICALLY ADDRESSED.

7. THE LEVEL OF REPRESENTATION AT THIS MEETING WAS DISTINCTLY LOWER THAN AT THE PREVIOUS MEETINGS AND THE DISCUSSION--IN THE VIEW OF MANY PARTICIPANTS--LESS LIVELY. WITH THE EXCEPTIONS NOTED, ENTHUSIASM AMONG THE PARTICIPANTS HERE FOR FURTHER SUCH MEETINGS HAS WANED. THERE WAS A WIDESPREAD FEELING THAT DIFFERENCES HAVE BEEN NARROWED AS MUCH AS THEY CAN BE IN THE ABSENCE OF ACTUAL NEGOTIATIONS, AND THAT THE TIME HAS COME--DESPITE THE RISKS--TO ENVISAGE FIXING A TIME FOR RESUMPTION. ON THE DEVELOPED COUNTRY SIDE, THIS VIEW WAS IN CONTRAST TO THAT EXPRESSED AT LAST WEEK'S MEETING OF THE OECD HIGH LEVEL GROUP (REF C). VANDEN HEUVEL UNQUOTE VANCE

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